



## DEBT CONSOLIDATION: BORROWING MONEY ON MY HOME TO PAY MY BILLS

Be careful about using a home loan to consolidate debts into a single monthly payment. A home loan is different from other consumer debts. If you cannot pay most consumer debts, you might receive a bad credit rating, be sued, or even be forced into bankruptcy. But if you cannot pay your home loan, you could lose your home.

Many consumer debts such as bills for credit cards or medical services are unsecured. Other consumer debts like car payments or furniture payments may be secured by an interest in the goods but not by an interest in your home. If you cannot repay consumer debts, the creditor may be able to take back the goods and sue you for the amount of the debt not repaid by the resale of the goods. But on a consumer debt, the creditor cannot simply foreclose on your home.

If you pay off consumer debts like car, medical, or credit card bills with a home loan, the new debt is secured by your home. This creates the risk that you could lose your home if you cannot make the payments.